



Electronic Invoicing: Why It Matters

Mr. John Hill, Assistant Commissioner for Payment Management at the U.S. Treasury's Bureau of the Fiscal Service, talks about improving payment processing, Treasury's commitment to electronic invoicing, and the role that the Invoice Processing Platform (IPP) plays in making government invoicing more efficient. The following are highlights from Mr. Hill's presentation at the 2014 IPP Agency Forum.

How has payment processing changed through the years?

My office, in an average year, will disburse about 1.1 billion payments valued at about \$3 trillion, affecting hundreds of millions of American citizens. For the last 30 years, our story has been to continually improve the quality of the payment process and reduce its cost. Just a few years ago, Treasury had four payment centers. If you look back even further to the 1970s, we had a dozen payment centers across the country. It used to cost roughly one dollar to issue a payment. We have since driven the cost down to a mere fraction of that amount and at the same time, improved the quality of that interaction. Now, citizens can easily get information about the status of their payments. So, that's been the story for the last 30 years and electronic invoicing is really just another chapter in that 30 year story.

Why is Treasury so committed to electronic invoicing?

Improving Interactions

We care very much about the interaction between beneficiaries, such as Social Security recipients, and their government. Improving the interaction on an invoice level with a business is just as important. To put some numbers around it, Treasury made almost 21 million vendor payments in 2013, valued at \$660 billion. Each one of those events is an interaction between a business person or business and their government. We care very deeply about the quality of that interaction. Is it efficient? Does it provide the information the business needs about the status of the payment? In an earlier life, I was a vendor who did business with the federal government. I have to tell you, I probably spent one day a month chasing down my payment status. It was very hard to get an answer. Had IPP existed back then, it would have solved that entire problem and created savings in the private sector.

Reducing the expense of processing vendor transactions

If you look at the entire life cycle of processing an invoice and paying a vendor, it is a very paper intensive and expensive process. When you look at it from the very beginning – from the purchase order to final settlement and obtaining information about the status of the payment – it is a very expensive process. Naturally, we are concerned about making that as cost effective as possible.

Leveraging valuable data

As you look at vendor payment processing and invoicing, a lot of valuable information is lost in various steps of the process. There just isn't a complete picture of the transaction between the government and a business. Electronic invoicing makes it a lot easier to connect all the data and see the big picture – where the payment went, what was purchased and how it relates back to a program. It also incorporates financial controls that are so important to obtaining a clean opinion and having a strong audit. The information component is very important and electronic invoicing addresses that.

Improving efficiency and saving money across the overall payment process

There's a huge opportunity for improved efficiency and cost savings. One estimate that we've seen is that if the federal government implemented electronic invoicing across the board, we can save over \$100 million a year. Naturally, Treasury has an interest in this. Those are significant savings. It means less issuance of public bonds, bills and notes. Less public debt.

IPP Fast Facts

Date Program Launched: November 2007

Number of Agencies Using IPP: 74

Number of Vendors Enrolled in IPP: 86,000

2013 Program Stats:

- Number of POs Processed: 51,000
- Number of Invoices Processed: 229,000
- Number of Payment Notifications: 3 million

What is the level of Treasury's commitment to using the Invoice Processing Platform for government invoicing?

We've been working with IPP since well before 2008. If you look at it in terms of changes and improvements in a body of software code, what you see is over the course of six years, there have been 17 different releases incorporating well over 160 change requests. What we have here is a service that really is an embodiment of all the good ideas and all of the knowledge and experiences of dozens of agencies trying to improve their vendor payment process. It's a system – or more broadly, a service – that has been developed and represents the best thoughts and best practices of practitioners over the last six years and continuing into the future. Our budget commitment to this program has been strong and continues to grow. Our current level of budget commitment to this program is essentially twice what it was in 2008. Our budgeters recognize that IPP produces savings, not just for Treasury, but for more agencies and the public, and is really worthy of this kind of commitment and investment.

“The expression we often use with IPP is “smart government invoicing”. I want to broaden that. It's more than that. I would like to say it is “smart government”. The benefits are beyond just invoicing. It really streamlines the whole payment process and improves government financial management more broadly.”

– John Hill, Assistant Commissioner

What has the response been from the vendor community?

Upwards of 86,000 vendors are enrolled in IPP. That's an impressive number but what's more important to me is what that means. We have a private sector community of vendors who believe that IPP creates value for them. They have made the investment in the service. They have enrolled in the service. They're using the service. They believe it has benefit for them. The majority of the vendors who do business with any agency are already enrolled in IPP. So we really have a foundation that we are building from which represents a very significant portion of the vendor community. I think that represents not just our commitment to IPP but the industry's commitment to IPP.

What are future projections for IPP usage and related savings?

We started very small. Just two federal government organizations used IPP in 2008. I can't even remember the number of invoices, but I think it was measured in the hundreds. Now, we process upwards of 230,000 invoices a year and we're on a trajectory to increase 50% over the next year. Seventy-four organizations are involved and produce savings on the order of \$5 to \$6 million (roughly \$20 an invoice). Our estimate of the current inventory of invoices – the total number of invoices that could be made electronically – is probably on the order of 20 to 30 million. So we've got miles to go before we sleep. There's a lot more to do and as a result, a lot more savings to be realized. But again, a very promising start and I think a reflection of all the hard work by many agencies and vendors to really commit to a solution that produces savings and value.

What are the value-added services offered to agencies with IPP?

IPP is not just a software solution. Software is a big part of it but it is much more than that. It's really a complete service around invoicing and the invoice payment process. All of that is really part of a program, again, dedicated to making the whole end-to-end process more efficient both for the vendors and agencies. Services provided with IPP include secure hosting (TWA) and disaster recovery, business process analysis, implementation support, data translation, vendor outreach, vendor enrollment, training, system enhancements and upgrades and a help desk for agencies and vendors.

What are some other key benefits to using IPP?

Improving data quality

As we move to a future where more and more government financial data will be made available to the public – for purposes of the DATA Act and data transparency – IPP is a great way to really improve the quality of the data related to what ultimately is \$660 billion in federal expenditures.

Supporting audits and financial controls

IPP has built in financial controls that help with audit opinions and other financial processes and controls. Clearly, it creates that benefit. The benefits are beyond just invoicing and are really an example of how we all need to move forward in making government more efficient and a better experience for the end user by leveraging the technology we have.